GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

UNSTARRED QUESTION NO:4273
ANSWERED ON:15.12.2000
PROCESS OF DISINVESTMENT
AVSM, BRIG.(RETD.) KAMAKHYA PRASAD SINGH DEO

Will the Minister of DISINVESTMENT be pleased to state:

(a) whether the Government have any plan to accelerate the process of disinvestment to achieve better acceleration of economy; and

(b) if so, the details thereof?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE DEPARTMENT OF DISINVESTMENT, MINISTER OF STATE MINISTRIES OF PLANNING, STATISTICS & PROGRAMME IMPLEMENTATION AND MINISTER OF STATE IN THE DEPARTMENT OF ADMINISTRATIVE REFORMS AND PUBLIC GRIEVANCES (SHRI ARUN SHOURIE)

(a) & (b) Government of India is carrying out disinvestment in accordance with the prescribed procedure that ensures complete transparency. The procedure is reviewed from time to time and modified with a view to accelerating the process further. At present it is as follows:

• Proposals for disinvestment in any PSU, based on the recommendations of the Disinvestment Commission or in accordance with the declared Disinvestment Policy of the Government, are placed for consideration of the Cabinet Committee on Disinvestment (CCD).

• After CCD clears the Disinvestment proposal, selection of the Advisor is done through a Competitive Bidding process.

• The Advisor assists the Government in preparation and issue of advertisement in leading newspapers inviting the Expression of Interest (EOI) offers from interested parties.

• After receipt of the EOIs, Prospective Bidders are short listed based on objective screening in the light of announced criteria / requirements.

• The Advisors, after due diligence of the PSU, prepare the Information Memorandum in consultation with the concern PSUThis is given to the short listed Prospective Bidders who have entered into a Confidentiality Agreement.

• The draft Share Purchase Agreement and the Shareholder Agreement are also prepared by the Advisors with the help of the Legal Advisors.

• The Prospective Bidders undertake due diligence of the PSU and hold discussions with the Advisors / the Government / the Representatives of the PSU for any clarifications.

• Concurrently, the task of valuation of the PSU is undertaken in accordance with the standard national and international practices.

• Based on the reactions received from the Prospective Bidders, the Share Purchase Agreement and Shareholders Agreement are prepared. After getting them vetted bny the Ministry of Law, they are approved by the Government.Thereafter, they are sent to the Prospective Bidders for inviting the final binding bids (Technical and Financial)

• After examination, analysis and evaluation, the recommendations of the Inter Ministerial Group (IMG) are placed before theCCDfor a final decision regarding selection of the Strategic Partner, signing of the Share Purchase Agreement and Shareholder Agreement, and other ancillary issues.

• In the disinvestment process mentioned above, Department of Disinvestment is assisted at each stage by an Inter Ministerial Group (IMG) comprising officers from the Ministry of Finance, Department of Public Enterprises, the Administrative Ministry / Department controlling the PSU, apart from the officers of the Department of Disinvestment and the Advisors.

After the transaction is completed, all papers and documents relating to it shall be turned over to the Comptroller and Auditor General of India; the CAG shall prepare an evaluation for sending to Parliament and releasing to the public.